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Council for Financial Aid to Education, Inc.

Corporate Support of Higher Education 1981

Council for Financial Aid to Education, Inc.

Foreword

For the second year in a row, the results of the annual survey of corporate giving are different from what might have been expected. In this latest survey covering 1981, the respondents reported large increases in their gifts to education despite a decline in pretax net income for the manufacturing companies and only a small rise in profits for the nonmanufacturers. In most industries experiencing profit declines, corporate-sponsored foundations were able to maintain giving levels—some by using earnings on invested assets and some by drawing on assets built up in high-profit years. The foundations thus fulfilled one part of their mission, to serve as a buffer against cyclical changes in corporate profits. The continued growth in education support signifies the continuing commitment of corporations to higher education.

The problems facing both higher education institutions and corporations continue from previous years, however, and solutions are not yet clearly in sight.

Institutional finances are under heavy pressure. Although cuts in federal student aid are not as severe as had been feared, uncertainty concerning their size will affect student decisions about entering college. Cuts in federal funds for research and other categorical programs are beginning to be felt more strongly. State appropriations are slowing, and in some instances cuts are being made even in the middle of the academic year.

Only part of the enrollment slack caused by the decline in the number of 18-year-olds can be taken up by adults seeking a college education for the first time or by women returning to complete interrupted degrees. And any further deferral of maintenance on aging facilities and of replacement of obsolete equipment must negatively affect educational quality in the long run.

Corporate problems continue as well. Profits declined in both 1980 and 1981. Although inflation and interest rates have come down to more tolerable levels, the economy remains stagnant and many corporations are undoubtedly feeling pressure to cut philanthropy. The decreased tax burden of the Economic Recovery Tax Act of 1981 will not in itself enable corporations to make significant increases in education support if profits do not improve soon.

Many corporations and colleges have responded to these problems by working together to strengthen the ties between the business and academic communities. They have developed new and creative ways to interface, so that each contributes from its strength. As these efforts continue, so will mutual understanding, providing a base that can be built upon as the economy turns around and prospers again. The benefits of this cooperation will accrue both to higher education and to the business community, and ultimately to the progress of the nation.

John R. Haire
President

December 1982

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Highlights

National Estimates

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Education Support Again at a New High, estimated at $1.14 billion, a 10.7 percent rise over 1980

Education Support as a Percentage of Pretax Net Income at 0.49 percent, the highest level since 1950

Education's Share of Total Contributions steady at 39.3 percent versus 39.6 percent in 1980

Inflation Eroded Gains in Education Support between 1966 and 1981, limiting average annual rise to 2.1 percent (in 1967 dollars) compared to 9.3 percent in current dollars

Total Corporate Contributions Rose $300 Million, or 11.5 percent, to reach an estimated $2.9 billion in 1981

Survey Results

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Company Foundation Contributions Exceeded Receipts for second year in a row. Much of this deficit was covered by earnings on foundations' assets

501 Companies in Both 1981 and 1980 Surveys reported 14.1 percent growth in education support despite only 1.5 percent rise in pretax net income (PTNI)

Manufacturing Companies as a Group contributed 40.8 percent of total gifts to education, nonmanufacturing companies 26.0 percent

Educational Support by Manufacturing Companies was inversely related to size of companies' PTNI, sales and assets, but education's share of total contributions was directly related to size

Appendix

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National Measures of Total Corporate Contributions by the Internal Revenue Service differ from the actual flow of corporate dollars to donees

Definitions and Biases in this report

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Table I
National Trends in Corporate Pretax Net Income and Contributions

Year	Corporate Pretax Net Income* (billions of dollars)	Corporate Contributions (millions of dollars)		Contributions as a Percentage of Corporate Pretax Net Income		Educational Support as a Percentage of Total Contributions
		Total**	Education***	Total	Education	
1967	79.7	830	315	1.04	0.40	38.0
1968	88.5	1,005	355	1.14	0.40	35.3
1969	86.7	1,055	375	1.22	0.43	35.5
1970	75.4	797	320	1.06	0.42	40.2
1971	86.6	865	345	1.00	0.40	39.9
1972	100.6	1,009	365	1.00	0.36	36.2
1973	125.6	1,174	410	0.93	0.33	34.9
1974	136.7	1,200	445	0.88	0.33	37.1
1975	132.1	1,202	450	0.91	0.34	37.4
1976	166.3	1,487	560	0.89	0.34	37.7
1977	194.7	1,791	665	0.92	0.34	37.1
1978	229.1	2,084	780	0.91	0.34	37.4
1979	252.7	2,288	890	0.91	0.35	38.9
1980	242.4	2,600***	1,030	1.07	0.42	39.6
1981	232.1	2,900***	1,140	1.24	0.49	39.3

* U.S. Department of Commerce.
** Internal Revenue Service.
*** CFAE.

Part I. National Trends in Corporate Support of Education

Corporate support of education rose almost 11 percent in 1981 despite a 4.2 percent drop in corporate profits. A $110 million increase pushed support of education to an estimated $1.14 billion. This is the second year in a row in which education support grew while corporate pretax net income (PTNI) declined. This latest increase, combined with lower profits, meant that education claimed a record high 0.49 percent of corporate PTNI in 1981. This is the highest proportion of any year for which we have estimates, starting in 1950.

Total corporate contributions exhibited a similar pattern. They rose $300 million, or 11.5 percent, over 1980 and reached an estimated $2.9 billion in 1981. Because corporate profits were down, total corporate gifts were at 1.24 percent of PTNI, the highest level since 1945.

During the 15-year period shown in **Table I** there have been three periods when PTNI dropped, 1969-70, 1975 and 1980-81. In 1969-70 both total contributions and gifts to education declined in the second year of the profit downturn. In 1975 gifts to all causes and to education remained at almost the same level as in the previous year. In the current period, however, the situation is quite different. Both total contributions and support of education increased at better than 10 percent from 1979 to 1980 and again from 1980 to 1981.

The ability of corporate contributions programs to expand during periods of profit declines is due in large part to the existence of corporate foundations. The foundations often increase their grants during recessions by using earnings on their assets, by drawing on their assets or by a combination of the two to make up for cuts in their sponsoring companies' contributions budgets. In periods of high profits, on the other hand, corporations tend to make large payments into their foundations to build up assets for lean years.

The total contributions reported in Table I are those reported to the Internal Revenue Service (IRS) on income tax returns. They include transfer payments made to corporate foundations, but do not include contributions made by the foundations. In both 1980 and 1981 payments into the foundations were

less than the grants made by those foundations, as is common in periods when profits decline. (See Table IV, page 5, for the figures reported in 1980 and 1981.) Figures reported to the IRS thus understate the actual flow of dollars to philanthropic causes in those two years. (See pages 5-7 for a fuller analysis of the role of corporate foundations in corporate giving programs.)

CFAE's estimates of education support, on the other hand, include gifts and grants made *by* corporate foundations but exclude company payments *to* them.

The Continuing Problem of Inflation

Much of the growth in total contributions and in grants to education in the last 15 years has been inflation driven, especially since 1974. During the 1950s and early 1960s the Consumer Price Index (CPI), a measure of inflation, rose on the average less than 3 percent a year. It began accelerating about 1967 and reached double-digit levels during several years in the 1970s. Since 1966 the average annual growth in contributions and in corporate profits, together with the rise in the Consumer Price Index, is as follows:

Average Annual Growth Rates

		Corporate Contributions		
	PTNI	Total	Education	CPI
1966-1971	0.9%	1.4%	2.8%	4.5%
1971-1976	13.9	11.4	10.2	7.0
1976-1981	6.9	14.3	15.3	9.8
1966-1981	7.1	8.9	9.3	7.1

Adjusted for inflation, growth of both total contributions and education gifts in constant dollars was very small—1.7 percent and 2.1 percent a year, respectively. There was essentially no growth in corporate profits, measured in constant dollars, between 1966 and 1981.

The eroding effect of inflation on education support is highlighted graphically in **Chart 1.** In current dollars the growth has been fairly steady since 1970, ascending in a steep, straight line beginning in 1975. When those dollars are adjusted for the CPI (1967 = 100), the slope is almost flat after 1978.

The Importance of Corporate Support to Higher Education

Corporations historically have channeled between 70 and 75 percent of their total education grants directly to colleges and universities. In most of the last 15 years this support has accounted for between 14 and 16 percent of total private gifts received by these institutions. In the late 1970s, however, this percent began rising. More recently corporations have provided about 18 percent of all private support to higher education institutions.

As can be seen in **Table II,** both corporate and total voluntary support have increased substantially since 1966-67, with slight dips during the recessions in 1969-71 and 1973-75. Most noteworthy is the continued upward movement in the current recession years, 1980-82.

Chart 1
Estimated Corporate Contributions to Education, 1967-1981 (millions of dollars)

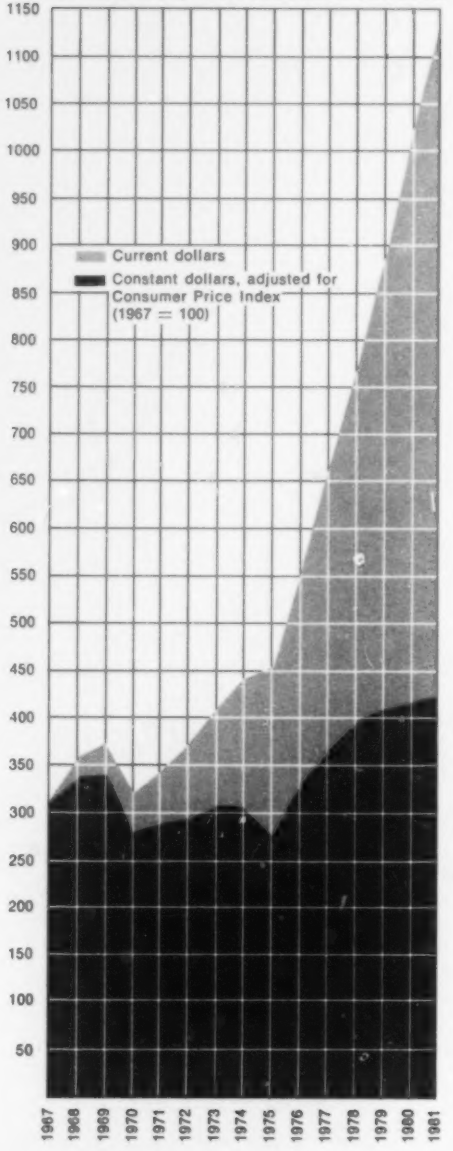


Table II
Corporate Support of Colleges and Universities in Relation to Total Voluntary Support and Institutional Expenditures

Year	Total Expenditures of Institutions of Higher Education* (billions of dollars)	Voluntary Support of Institutions of Higher Education** (millions of dollars)		Voluntary Support as a Percentage of Institutional Expenditures		Corporate Support as a Percentage of Total Voluntary Support
		Total	Corporate	Total	Corporate	
1966-67	17.5	1,480	249	8.5	1.4	16.8
1967-68	19.9	1,600	250	8.0	1.3	15.6
1968-69	22.0	1,800	272	8.2	1.2	15.1
1969-70	24.7	1,780	269	7.2	1.1	15.1
1970-71	27.1	1,860	259	6.9	1.0	13.9
1971-72	29.2	2,020	275	6.9	0.9	13.6
1972-73	31.4	2,240	318	7.1	1.0	14.2
1973-74	34.3	2,240	354	6.5	1.0	15.8
1974-75	38.9	2,160	357	5.6	0.9	16.5
1975-76	42.7	2,410	379	5.6	0.9	15.7
1976-77	46.3	2,670	446	5.8	1.0	16.7
1977-78	49.6	3,040	508	6.1	1.0	16.7
1978-79	54.0	3,230	556	6.0	1.0	17.2
1979-80	60.4	3,800	696	6.3	1.2	18.3
1980-81	68.6	4,230	778	6.2	1.1	18.4
1981-82 p.	75.5	4,800	880	6.4	1.2	18.3

* U.S. Department of Education.
** Estimates by CFAE from Surveys of Voluntary Support of Education, from government documents and other sources.
p. Preliminary.

Contributions, however, have not increased as fast as institutional expenditures. Between 1966-67 and 1971-72, a period when enrollment was soaring and many new institutions were established, institutional expenditures rose at an average annual rate of 10.1 percent. For the next five years, as enrollment growth slowed somewhat, institutional expenditures rose at a slightly lower 9.7 percent a year. The accelerated growth rate during the next five years—between 1976-77 and 1981-82—was fueled by inflation, which reached double-digit rates for some of the period. Over the whole 15-year period institutional budgets expanded at an astounding 10.2 percent annually.

Neither total voluntary support nor the corporate portion of those gifts kept up with the growth in college and university disbursements. The lag was especially apparent between 1966-67 and 1971-72. Total gifts rose an average 6.4 percent, while corporate support grew at a slow 2.4 percent a year. In the second five-year period total voluntary support expanded even more slowly—5.7 percent per year—but corporate gifts increased an average of 10.2 percent each year and exceeded the growth in institutional expenditures.

Between 1976-77 and 1981-82, both total gifts and those from corporations surpassed the growth rate of institutional expenditures, expanding at average annual rates of 12.9 percent and 14.6 percent, respectively. Private gifts and grants thus assumed a larger role in institutional budgets. They still have some way to go, however, before they are as important as they were in the 1950s and early 1960s, when total contributions provided as much as 14 percent and corporate support 2 percent of institutional budgets.

In part, the recent growth in both total voluntary support and corporate gifts reflects the increasing number of colleges and universities that are organizing development activities and seeking and receiving grants—from alumni, corporations and other donors. Matching-gift programs also undoubtedly helped swell the corporate gift totals. In 1962-63, about 85 percent of the institutions participating in the Voluntary Support Survey reported corporate gifts. By 1980-81 98.3 percent (or all but 5 four-year colleges and 11 two-year colleges) of the 928 respondents received corporate gifts.

Part II.
The Survey Results

Total contributions reported by the 789 companies participating in the survey surpassed $1 billion in 1981 for the first time, as shown in **Table III.** The percentage rise in total gifts and grants is larger than the percentage increase in the number of respondents; the average contribution per company in 1981 is therefore 9.2 percent larger than the average in 1980. All categories of donees experienced an increase in grants, although gifts to education and to health and welfare rose more slowly than those to the other recipient groups. The steady rise in the share of corporate gifts to education since 1977 was slowed in 1981; the decline in the proportion of gifts to health and welfare was the sixth in a row. The culture and art category has been receiving a growing share of corporate dollars and for the first time was given more money than civic causes, at least by this group of companies.

The Role of Corporate Foundations

The important role of corporate foundations in maintaining stable corporate contributions programs has long been recognized but has not up to now been analyzed in depth. The corporate support survey has been collecting data since 1974 about direct corporate giving, gifts to foundations and grants made by foundations. In 1981 the survey

Table III
Distribution of Corporate Contributions
(millions of dollars)

	1981 789 companies		1980 732 companies		1979 786 companies	
Education	$ 429.8	36.7%	$375.8	37.8%	$314.8	37.7%
Health and Welfare	393.4	33.6	337.9	34.0	292.6	35.0
Culture and Art	139.6	11.9	108.7	10.9	82.5	9.9
Civic Activities	136.7	11.7	116.8	11.7	97.3	11.6
Other	71.3	6.1	55.4	5.6	48.3	5.8
	$1,170.8	100.0%	$994.6	100.0%	$835.5	100.0%

Table IV
Structure of Corporate Contributions
(millions of dollars)

	1974	1975	1976	1977	1978	1979	1980	1981
Total Company Gifts	$437.7 (772)	$381.6 (761)	$531.7 (743)	$639.9 (793)	$834.4 (740)	$855.7 (763)	$944.7 (709)	$1,039.1 (768)
Less: Gifts to Company Foundations	154.1 (239)	113.4 (230)	207.7 (227)	285.1 (248)	418.7 (249)	372.1 (291)	381.4 (249)	361.6 (239)
Direct Company Gifts to Others	283.6 (730)	268.3 (719)	324.0 (694)	354.8 (731)	415.7 (697)	483.6 (722)	563.3 (661)	677.5 (735)
Plus: Company Foundation Gifts	154.3 (329)	168.5 (322)	195.7 (320)	240.9 (341)	277.5 (329)	351.9 (352)	431.3 (353)	493.3 (359)
Total Corporate Contributions	$438.1 (799)	$436.8 (796)	$519.7 (773)	$595.7 (816)	$693.2 (759)	$835.5 (786)	$994.6 (732)	$1,170.8 (789)
Difference Between Foundation Receipts and Foundation Gifts	− .2	−55.1	+12.0	+44.2	+141.2	+ 20.2	− 49.9	−131.7
Cumulative Change	− .2	−55.3	−43.3	+ 0.9	+142.1	+162.3	+112.4	− 19.3
Number of Companies with Foundations	343	331	326	340	345	379	376	389

(Numbers in parentheses show the number of companies reporting.)

Table V
Percentage of Reporting Companies with Corporate Foundations, by Industry, 1981

Industry	Percentage
MANUFACTURING	
Primary Metals	77.8
Transportation Equipment	68.2
Paper & Allied Products	64.0
Electrical Machinery	60.4
Chemicals	60.0
Stone, Clay & Glass	60.0
Rubber	58.3
Food, Beverage & Tobacco	55.0
Fabricated Metals	54.5
Machinery	52.1
Petroleum & Gas	51.5
Pharmaceuticals	50.0
Textiles & Apparel	47.8
Printing & Publishing	47.1
Mining	37.5
All Manufacturing	57.3
NONMANUFACTURING	
Finance	66.7
Banks	58.0
Merchandising	57.7
Life Insurance	56.7
Engineering & Construction	55.6
Business Services	50.0
Transportation	36.4
Property/Liability Insurance	28.1
Utilities	13.6
Telecommunications	8.0
All Nonmanufacturing	41.0
ALL COMPANIES	49.4

asked for additional data which permit more extensive analysis of the role of foundation giving in corporate philanthropy. These data will also serve as a base for discovering trends.

Table IV presents a summary analysis of the structure of corporate contributions for companies participating in these surveys between 1974 and 1981—the time period for which the data are available. The first line, "total company gifts," is the same as "total contributions," as reported in Table I (page 2) and to the Internal Revenue Service (IRS). It includes grants *to* company foundations but not the grants made *by* those foundations. It thus understates the actual flow of philanthropic dollars in years when payments into the foundations were low, generally years in which profits declined (*e.g.*, 1974, 1975, 1980 and 1981). Conversely, it overstates the dollars actually given to charitable organizations in high-profit years when corporations built up the assets of their foundations.

The gross figures, for 1981 at least, mask some interesting differences. Of the 389 companies reporting foundations, 361 reported activity with respect to their foundations—either payments into them, grants paid out by them or both. As might be expected in this recession year, a larger percentage of corporations with foundations—64.3 percent, or 232—paid in less than was paid out by their foundations in grants. Only 115, or 31.8 percent, made payments to their foundations that exceeded the foundations' grants. Fourteen, or 3.9 percent, acted as straight pass-throughs, with payments equaling grants paid out.

The percentage of companies reporting foundations has been creeping up since 1974, so that now almost half of the survey respondents utilize foundations for at least part of their contributions programs. The use of foundations, however, varies considerably by industry, as can be seen in **Table V.** Except in three industries, more than half of the manufacturing companies have foundations. The nonmanufacturing or service industries, on the average, report fewer companies with foundations than do the manufacturers. The major reason for establishing foundations is for them to serve as a buffer against the ups and downs of the business cycle, and manufacturing companies are more subject to cyclical profits than are the nonmanufacturing companies.

In the past, one of the pieces missing for an analysis of corporate foundation giving has been the earnings generated from the foundations' assets. For the first time a question on these earnings was included in the 1981 survey. **Table VI** summarizes, by industry, the degree to which investment income serves as a source of funds in situations in which the sponsoring companies pay in less than their foundations pay

out. Not all of the respondents were able to give complete data about foundation earnings and assets; the number in each industry therefore varies from table to table. The important conclusion from this sample is that foundation earnings generally more than cover the funding gaps, and, in 1981, resulted in an increase in foundation assets. Foundation earnings, therefore, prevented the overall picture from being as negative as it appeared on the surface in Table IV, which considered only foundation receipts and grants. As additional data are collected in the future, more complete analyses will be possible.

Another measure of the value of foundations is the size of their assets. The 323 companies in the sample reported assets totaling more than $1.5 billion in 1981, and 20 corporate foundations had assets ranging from $17.1 million to $140 million. These assets provide a large cushion for the giving programs of their companies.

Table VI
Foundation Cash Flow, by Industry, 1981

Industry	Payments into Foundations	Earnings	Grants Made by Foundations	Net Change
MANUFACTURING				
Chemicals(23)	$ 20,999,072	$ 7,585,811	$ 29,347,354	—$ 762,471
Electrical Machinery(26)	63,222,456	19,197,975	44,476,674	+ 37,943,757
Fabricated Metals(10)	4,291,150	1,753,715	6,110,248	— 65,383
Food, Beverage & Tobacco(19)	16,861,662	5,795,479	15,943,487	+ 6,713,654
Machinery(24)	13,850,739	6,039,120	16,591,649	+ 8,298,210
Mining(3)	260,000	1,181,079	3,158,310	— 1,717,231
Paper & Allied Products(14)	7,836,519	5,015,453	14,978,307	— 2,126,335
Petroleum & Gas(13)	54,371,000	22,531,795	100,275,661	— 23,372,866
Pharmaceuticals(8)	11,297,000	3,057,487	14,624,051	— 269,564
Primary Metals(19)	20,995,949	28,722,197	27,130,027	+ 22,588,119
Printing & Publishing(5)	4,806,730	1,014,366	5,875,748	— 54,652
Rubber(6)	1,115,000	2,744,294	2,495,670	+ 1,363,624
Stone, Clay & Glass(7)	4,908,116	3,148,132	8,198,038	— 141,790
Textiles & Apparel(8)	2,666,752	2,669,552	7,950,069	— 2,613,765
Transportation Equipment(12)	9,152,727	17,764,498	35,630,704	— 8,713,479
Total(197)	$241,634,872	$128,220,953	$332,785,997	+$37,069,828
NONMANUFACTURING				
Banks(46)	27,919,208	16,019,851	35,783,754	+ 8,155,305
Business Services(8)	6,956,000	875,444	2,807,677	+ 5,023,767
Engineering & Construction(4)	6,324,892	1,535,709	7,333,853	+ 526,748
Finance(9)	4,857,166	3,090,248	4,126,860	+ 3,820,554
Insurance, Life(31)	8,618,426	16,523,681	17,181,052	+ 7,961,055
Insurance, Property/Liability(9)	5,652,500	2,914,411	5,221,010	+ 3,345,901
Merchandising(12)	10,152,433	4,371,572	17,474,782	— 2,950,777
Telecommunications(2)	3,797,000	1,006,823	4,297,000	+ 506,823
Transportation(4)	8,315,100	1,745,010	8,591,565	+ 1,468,545
Utilities(8)	3,150,000	3,731,869	4,357,027	+ 2,524,842
Total(133)	$ 85,742,725	$ 51,814,618	$107,174,580	+$30,382,763
GRAND TOTAL(330)	$327,377,597	$180,035,571	$439,960,577	+$67,452,591

(Numbers in parentheses show the number of companies reporting.)

Table VII
Changes in Market Value of Corporate Foundation Assets, by Industry, 1981

Industry	Assets as of 1/1/81	Assets as of 12/31/81	Net Change in Assets*	% Change
MANUFACTURING				
Chemicals(23)	$ 88,092,021	$ 90,618,892	+$ 2,526,871	+ 2.9
Electrical Machinery(23)	162,868,966	204,126,166	+ 41,257,200	+25.3
Fabricated Metals(10)	18,738,527	17,975,228	— 763,299	— 4.1
Food, Beverage & Tobacco(18)	46,708,007	58,531,692	+ 11,823,685	+25.3
Machinery(23)	56,102,087	58,000,829	+ 1,898,742	+ 3.4
Mining(3)	8,995,647	6,720,948	— 2,274,699	—25.3
Paper & Allied Products(14)	59,672,572	60,886,885	+ 1,214,313	+ 2.0
Petroleum & Gas(13)	236,652,758	236,603,537	— 49,221	n.s.
Pharmaceuticals(8)	31,983,413	31,547,656	— 435,757	— 1.4
Primary Metals(19)	228,508,992	231,368,199	+ 2,859,207	+ 1.3
Printing & Publishing(5)	11,431,602	11,001,681	— 429,921	— 3.8
Rubber(6)	22,657,029	23,982,964	+ 1,325,935	+ 5.9
Stone, Clay & Glass(7)	20,343,499	21,229,301	+ 885,802	+ 4.4
Textiles & Apparel(8)	28,784,066	30,173,998	+ 1,389,932	+ 4.8
Transportation Equipment(12)	152,424,292	135,675,786	— 16,748,506	—11.0
Total(192)	$1,173,963,478	$1,218,443,762	+$44,480,284	+ 3.8
NONMANUFACTURING				
Banks(44)	$ 138,062,866	$ 138,217,457	+$ 154,591	+ 0.1
Business Services(8)	10,469,525	13,977,406	+ 3,507,881	+33.5
Engineering & Construction(4)	25,695,695	19,034,382	— 6,661,313	—25.9
Finance(9)	8,601,464	10,251,304	+ 1,649,840	+19.2
Life Insurance(31)	128,692,847	136,740,383	+ 8,047,536	+ 6.3
Property/Liability Insurance(9)	19,232,744	22,826,316	+ 3,593,572	+18.7
Merchandising(12)	30,249,367	30,917,293	+ 667,926	+ 2.2
Telecommunications(2)	8,716,008	9,475,106	+ 759,098	+ 8.7
Transportation(4)	22,710,883	23,662,888	+ 952,005	+ 4.2
Utilities(8)	18,197,941	21,600,504	+ 3,402,563	+18.7
Total(131)	$ 410,629,340	$ 426,703,039	+$16,073,699	+ 3.9
GRAND TOTAL(323)	$1,584,592,818	$1,645,246,801	+$60,653,983	+ 3.8

* Some of the companies reported face value of bonds in trust, which did not change during the year.
n.s. Not significant.
(Numbers in parentheses show the number of companies reporting.)

Table VII shows the changes in assets for foundations in 1981, by industry. This table reflects changes in market value of foundation assets as well as changes affected by cash flow. Comparison of the results in Table VI and Table VII shows that industries in which foundation assets increased during the year generally were also those with a positive cash flow. Foundations whose assets decreased were generally those with a negative cash flow. Overall foundation assets increased during the year, some as the result of payments from their sponsoring companies, some from retained earnings on assets and some from changes in market value. A clearer picture will emerge as more data are collected.

Comparisons Over Time

The relationships between contributions and several financial measures are shown in **Table VIII** for companies reporting on a worldwide basis and for those reporting on United States operations only. The patterns of the two differ mainly because worldwide pretax net income of responding companies was flat, while domestic profits rose in 1981.

On a worldwide basis both total contributions and education support rose while income remained flat. Consequently, the percent of PTNI devoted to both jumped appreciably. This pattern has been seen in

Table VIII
Total Contributions and Support of Education in Relation to Worldwide and U.S. Only Pretax Net Income, Assets and Sales (000 omitted)

Worldwide	1981 712 companies	1980 659 companies	1979 724 companies	1978 711 companies	1977 749 companies	1976 727 companies
Total Contributions	$ 1,116,261	$ 959,249	$ 804,656	$ 671,721	$ 573,517	$ 505,180
Support of Education	407,270	362,494	303,876	248,334	204,127	185,442
Pretax Net Income	165,277,000	164,735,000	159,750,200	138,496,000	119,966,200	103,295,200
Assets	2,959,364,000	2,642,819,000	2,351,233,700	2,082,603,800	1,939,027,600	1,689,047,900
Sales	2,003,417,000	1,816,457,000	1,635,196,200	1,335,164,600	1,220,759,200	1,014,639,000
Total Contributions as % of:						
Pretax Net Income	0.675	0.582	0.504	0.485	0.478	0.489
Assets	0.038	0.036	0.034	0.032	0.030	0.030
Sales	0.056	0.053	0.049	0.050	0.047	0.050
Support of Education as % of:						
Pretax Net Income	0.246	0.220	0.190	0.179	0.170	0.180
Assets	0.014	0.014	0.013	0.012	0.011	0.011
Sales	0.020	0.020	0.019	0.019	0.017	0.018
Support of Education as % of Total Contributions	36.4	37.8	37.8	37.0	35.6	36.7
U.S. Only	525 companies	477 companies	539 companies	528 companies	552 companies	531 companies
Total Contributions	$ 681,494	$ 532,260	$ 497,308	$ 411,676	$ 317,386	$ 279,319
Support of Education	235,115	192,482	188,832	145,458	105,447	90,049
Pretax Net Income	81,833,000	65,963,000	74,638,900	68,835,900	56,553,100	45,830,600
Assets	1,552,140,000	1,190,370,000	1,217,263,400	1,184,678,000	1,088,750,400	931,750,700
Sales	1,018,800,000	797,304,000	788,442,300	660,723,400	588,315,900	465,280,800
Total Contributions as % of:						
Pretax Net Income	0.833	0.807	0.666	0.598	0.561	0.610
Assets	0.044	0.045	0.041	0.034	0.029	0.030
Sales	0.067	0.067	0.063	0.062	0.053	0.060
Support of Education as % of:						
Pretax Net Income	0.287	0.292	0.253	0.211	0.187	0.200
Assets	0.015	0.016	0.016	0.012	0.010	0.010
Sales	0.023	0.024	0.024	0.022	0.018	0.019
Support of Education as % of Total Contributions	34.5	36.2	38.0	35.3	33.2	32.2

Table IX
Support of Education, Two Survey Years
(501 Companies Participating in Both Surveys)

Industry	1981 Worldwide Pretax Net Income (millions)	1981 Support of Education Amount (000)	1981 Support of Education % of PTNI	1981 Support of Education % of Total Contributions	1980 Worldwide Pretax Net Income (millions)	1980 Support of Education Amount (000)	1980 Support of Education % of PTNI	1980 Support of Education % of Total Contributions	% Change 1981-1980 Education	% Change 1981-1980 PTNI	% Change 1981-1980 Total Contributions
MANUFACTURING											
Chemicals(34)	$ 12,785	$ 42,351	.331	46.2	$ 12,373	$ 37,129	.300	48.1	+14.1	+ 3.3	+18.9
Electrical Machinery(29)	15,141	47,743	.315	48.2	15,201	37,885	.249	43.6	+26.0	— 0.4	+14.0
Fabricated Metals(12)	1,019	4,274	.419	25.9	1,340	3,904	.291	34.2	+ 9.4	— 24.0	+44.4
Food, Beverage & Tobacco(31)	9,119	21,126	.232	33.8	8,294	17,969	.217	34.6	+17.6	+ 9.9	+20.5
Machinery(28)	4,522	23,216	.513	49.9	4,693	15,318	.326	42.5	+51.6	— 3.6	+29.2
Mining(4)	673	2,371	.352	48.2	948	2,499	.264	53.6	— 5.1	— 29.0	+ 5.6
Paper & Allied Products(14)	2,544	10,764	.423	35.8	2,554	12,096	.474	43.1	—11.0	— 0.4	+ 7.1
Petroleum & Gas(30)	53,392	97,036	.182	42.6	58,329	79,227	.136	44.2	+22.4	— 8.4	+27.2
Pharmaceuticals(16)	3,879	12,324	.318	31.6	4,000	12,340	.309	31.2	— 0.1	— 3.0	— 1.4
Primary Metals(21)	4,188	14,942	.357	39.7	3,474	15,932	.459	44.8	— 6.2	+ 20.6	+ 5.8
Printing & Publishing(9)	1,065	5,074	.476	39.3	902	8,129	.901	54.4	—37.6	+ 18.1	—13.6
Rubber(9)	1,223	2,185	.179	36.3	478	2,532	.529	37.4	—13.7	+155.9	—11.0
Stone, Clay & Glass(13)	1,289	5,905	.458	33.6	1,507	4,983	.331	34.1	+18.5	— 14.4	+20.2
Textiles & Apparel(14)	960	3,479	.362	30.1	1,000	3,869	.387	31.4	—10.1	— 4.0	— 6.1
Transportation Equipment(11)	1,196	24,604	2.057	42.2	—1,201	23,309	. . .	42.4	+ 5.6	. . .	+ 6.2
Total(275)	$112,996	$317,395	.281	41.6	$113,893	$277,122	.243	42.4	+14.5	— 0.8	+16.6
NONMANUFACTURING											
Banks(53)	$ 6,578	$ 17,117	.260	26.4	$ 6,573	$ 15,083	.229	26.7	+13.4	+ 0.1	+14.9
Business Services(12)	912	1,606	.176	25.2	741	1,472	.199	30.0	+ 9.1	+ 23.1	+30.0
Engineering & Construction(3)	1,138	1,236	.109	30.2	887	1,077	.121	28.9	+14.8	+ 28.3	+ 9.9
Finance(6)	1,101	1,396	.127	24.3	821	1,216	.148	27.1	+14.8	+ 34.1	+28.3
Total—Insurance(50)	4,258	15,743	.370	30.0	5,585	14,521	.260	32.4	+ 8.4	— 23.8	+17.3
Life(37)	3,311*	12,580	.380	30.6	4,277*	11,665	.273	33.4	+ 7.8	— 22.6	+17.6
Property/Liability(13)	947**	3,163	.334	28.0	1,308**	2,857	.218	29.4	+10.7	— 27.6	+16.2
Merchandising(14)	1,824	7,852	.431	19.5	1,398	7,440	.532	19.4	+ 5.5	+ 30.4	+ 5.0
Telecommunications(21)	12,418	15,099	.122	28.2	10,704	12,535	.117	27.9	+20.4	+ 16.0	+19.2
Transportation(6)	1,778	3,770	.212	28.4	1,648	2,628	.159	24.0	+43.4	+ 7.9	+21.2
Utilities(61)	11,238	8,119	.072	25.7	9,666	8,217	.085	30.5	— 1.2	+ 16.3	+17.4
Total(226)	$ 41,245	$ 71,936	.174	26.4	$ 38,024	$ 64,189	.169	27.3	+12.1	+ 8.4	+15.6
GRAND TOTAL(501)	$154,241	$389,331	.252	37.6	$151,917	$341,311	.225	38.4	+14.1	+ 1.5	+16.3

(Numbers in parentheses show the number of companies reporting.)
* Net gains less policyholder dividends.
** Net income less policyholder dividends and capital gains.

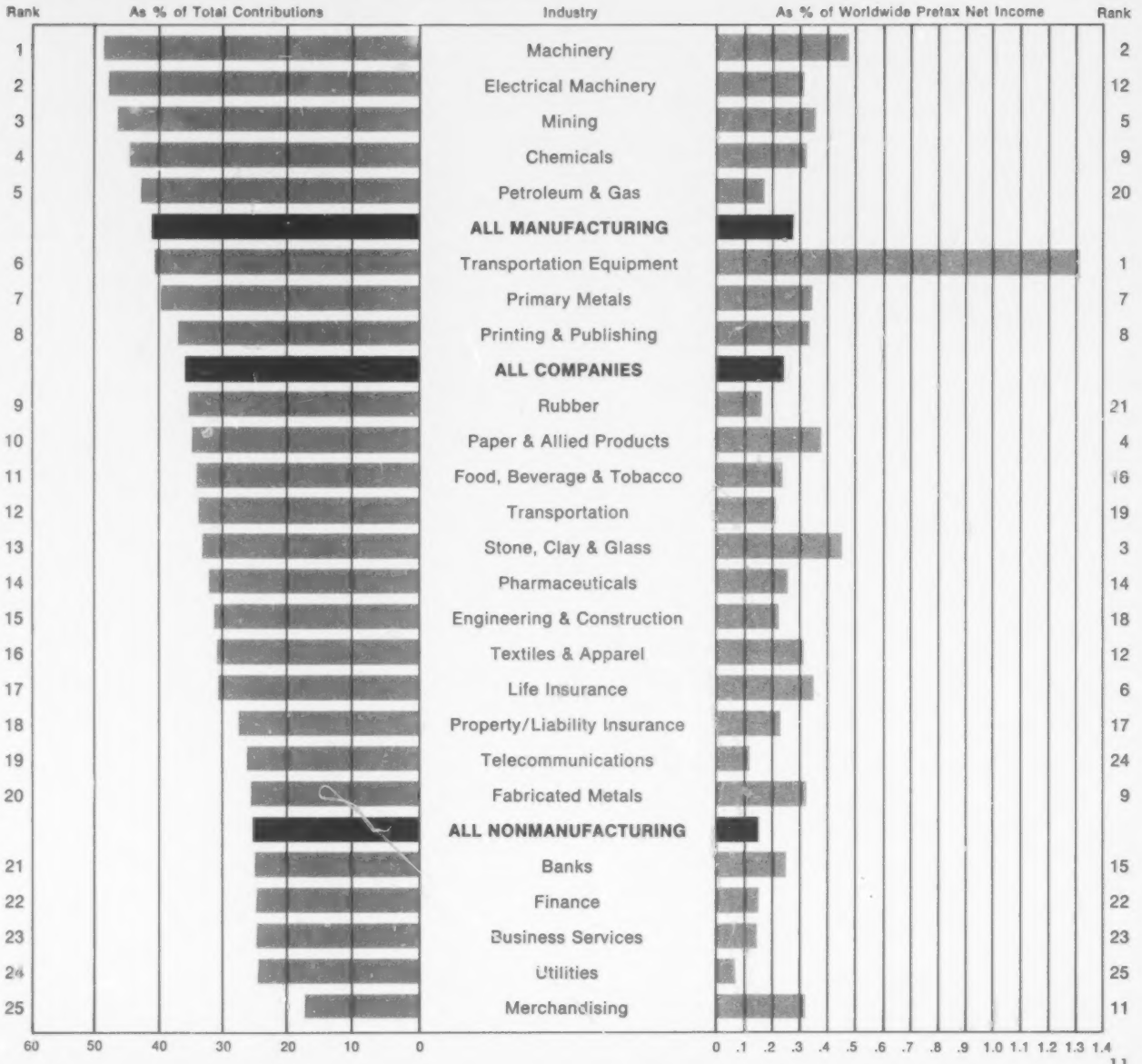
earlier recession years—*e.g.*, 1980. The relationship of contributions to assets and to sales, on the other hand, changed relatively little, since both these measures and contributions increased.

The data limited to a United States only basis showed quite different patterns. Although the data show greatly increased total contributions and education support, they also show even greater growth in PTNI, assets and sales. The percentage relationships therefore remained flat or declined.

Education support reported on both the worldwide basis and the domestic only basis grew more slowly than did total contributions and was therefore a smaller percentage of the total contributions in 1981 than in 1980.

Since the number of companies answering the survey varies from year to year, it is difficult to make comparative judgments about the significance of changes. This difficulty is minimized in **Table IX** by examining 501 "core" companies that reported in both 1980 and 1981. Their giving patterns are quite different from those in the national estimates. The 501 companies as a whole experienced a slight increase in pretax net income rather than a decrease. Only the manufacturing industries reported a slight drop in PTNI. Education support and total

Chart 2
Comparative Rankings of Educational Support, by Industry, 1981


Rank
As % of Total Contributions
Industry
As % of Worldwide Pretax Net Income
Rank
1 Machinery 2
2 Electrical Machinery 12
3 Mining 5
4 Chemicals 9
5 Petroleum & Gas 20
ALL MANUFACTURING
6 Transportation Equipment 1
7 Primary Metals 7
8 Printing & Publishing 8
ALL COMPANIES
9 Rubber 21
10 Paper & Allied Products 4
11 Food, Beverage & Tobacco 16
12 Transportation 19
13 Stone, Clay & Glass 3
14 Pharmaceuticals 14
15 Engineering & Construction 18
16 Textiles & Apparel 12
17 Life Insurance 6
18 Property/Liability Insurance 17
19 Telecommunications 24
20 Fabricated Metals 9
ALL NONMANUFACTURING
21 Banks 15
22 Finance 22
23 Business Services 23
24 Utilities 25
25 Merchandising 11
60 50 40 30 20 10 0
0 .1 .2 .3 .4 .5 .6 .7 .8 .9 1.0 1.1 1.2 1.3 1.4

contributions both increased faster than they did on a national basis, but the slower growth rate in education grants than in gifts to all other causes was consistent with the national pattern. Since the sample is not completely random, the results are often not consistent. This is the second year in a row that education's share of total corporate contributions declined for the "core" companies participating in two years' surveys, against a single year's decrease nationally.

Comparisons by Groupings

Contributions patterns differ by industry, by size of company and by marketing area. The survey data are therefore arranged by these groupings.

By Industry

Comparisons of education support among industry groupings are related to two variables: the percentage of PTNI devoted to education and the proportion of total contributions allocated to education. **Chart 2** presents industry rankings on these two measures and graphically shows that there is a relationship between the two. Five industries have the same ranking on both measures—primary metals, printing and publishing, pharmaceuticals, finance and business services. Nine industries rank between 1 and 13 on support of education as a percent of total contributions and on percentage of PTNI given to education. Eight industry groups rank between 14 and 25 on both measures.

These relationships carry over from year to year. Twenty-two industries are in the same half of the rankings as in 1980 with respect to support of education and eleven with respect to percentage of PTNI.

As has been true in the past the chart also shows that manufacturing companies generally allocate a larger share of their total grants to education and devote a greater proportion of their profits to education than do the nonmanufacturing companies.

Giving patterns of the various industry groupings can also be related to other measures. **Table X** relates total contributions and education support to three common financial measures—PTNI, assets and sales.

The survey participants are divided almost equally between manufacturing and nonmanufacturing pursuits. The manufacturing companies reported twice the pretax net income and sales of the nonmanufacturers but only about half the assets. The differences are somewhat smaller than in previous years, partly because of the poor profits in many manufacturing industries and partly because of differences in the sample. As might be expected from Chart 2, the manufacturers gave almost four times as much to education as did the nonmanufacturers, but only two

Table X
Total Contributions and Support of Education in Relation to Worldwide Pretax Net Income, Assets and Sales, 1981

Industry	Pretax Net Income (millions)	Assets (millions)
MANUFACTURING		
Chemicals(42)	$ 13,497	$ 113,211
Electrical Machinery(45)	15,930	114,865
Fabricated Metals(19)	1,509	19,382
Food, Beverage & Tobacco(37)	9,818	72,753
Machinery(45)	5,336	58,917
Mining(8)	738	9,311
Paper & Allied Products(23)	3,169	38,631
Petroleum & Gas(32)	48,434	313,739
Pharmaceuticals(17)	4,839	28,080
Primary Metals(26)	4,353	53,733
Printing & Publishing(16)	1,666	13,613
Rubber(11)	1,297	15,513
Stone, Clay & Glass(14)	1,329	17,219
Textiles & Apparel(21)	1,294	9,932
Transportation Equipment(20)	1,997	95,951
Total(376)	$115,208	$ 974,850
NONMANUFACTURING		
Banks(72)	$ 7,275	$ 940,140
Business Services(18)	1,135	9,730
Engineering & Construction(9)	1,541	12,075
Finance(11)	1,631	67,228
Total—Insurance(83)	5,546	433,420
Life(57)	3,761 [2]	360,159
Property/Liability(26)	1,785 [3]	73,261
Merchandising(25)	2,776	69,739
Telecommunications(23)	12,480	193,504
Transportation(11)	2,685	34,915
Utilities(84)	14,999	223,763
Total(336)	$ 50,069	$1,984,514
GRAND TOTAL(712)	$165,277	$2,959,364
1980 Grand Total(659)	$164,735	$2,642,819

(Numbers in parentheses show the number of companies reporting.)
1. Total operating income.
2. Net gains less policyholder dividends.
3. Net income less policyholder dividends and capital gains.
4. Income less policyholder dividends.
5. Earned premiums less policyholder dividends.

Sales (millions)	Total Contributions (000)	Support of Education (000)	Total Contributions as % of: PTNI	Assets	Sales	Support of Education as % of: PTNI	Assets	Sales	Education Support as % of Total Contributions	Industry
										MANUFACTURING
$ 141,389	$ 98,815	$ 43,853	.732	.087	.070	.325	.039	.031	44.4	Chemicals(42)
144,868	102,859	49,005	.646	.090	.071	.308	.043	.034	47.6	Electrical Machinery(45)
27,763	18,687	4,910	1.238	.096	.067	.325	.025	.018	26.3	Fabricated Metals(19)
123,468	70,174	23,575	.715	.096	.057	.240	.032	.019	33.6	Food, Beverage & Tobacco(37)
73,832	52,496	25,590	.984	.089	.071	.480	.043	.035	48.7	Machinery(45)
5,296	5,832	2,691	.790	.063	.110	.365	.029	.051	46.1	Mining(8)
40,888	34,214	12,037	1.079	.089	.084	.380	.031	.029	35.2	Paper & Allied Products(23)
468,920	213,486	89,920	.441	.068	.046	.186	.029	.019	42.1	Petroleum & Gas(32)
31,480	39,855	12,490	.824	.142	.127	.258	.044	.040	31.3	Pharmaceuticals(17)
69,115	38,562	15,139	.886	.072	.056	.348	.028	.022	39.3	Primary Metals(26)
31,906	15,309	5,683	.919	.112	.048	.341	.042	.018	37.1	Printing & Publishing(16)
23,074	6,402	2,303	.494	.041	.028	.178	.015	.010	36.0	Rubber(11)
20,708	18,467	6,058	1.390	.107	.089	.456	.035	.029	32.8	Stone, Clay & Glass(14)
17,338	13,064	3,989	1.010	.132	.075	.308	.040	.023	30.5	Textiles & Apparel(21)
150,816	64,743	26,131	3.241	.067	.043	1.308	.027	.017	40.4	Transportation Equipment(20)
$1,370,861	$ 792,967	$323,375	.688	.081	.058	.281	.033	.024	40.8	Total(376)
										NONMANUFACTURING
$ 121,926	$ 71,662	$ 18,443	.985	.008	.059	.254	.002	.015	25.7	Banks(72)
11,166	6,909	1,743	.609	.071	.062	.153	.018	.016	25.2	Business Services(18)
21,308	10,960	3,373	.711	.091	.051	.219	.028	.016	30.8	Engineering & Construction(9)
19,767	10,788	2,745	.661	.016	.055	.168	.004	.014	25.4	Finance(11)
97,296	60,492	17,837	1.091	.014	.062	.322	.004	.018	29.4	Total—Insurance(83)
67,810	44,917	13,622	1.194	.012	.066	.362	.004	.020	30.3	Life(57)
29,486	15,576	4,215	.873	.021	.053	.236	.006	.014	27.1	Property/Liability(26)
100,779	47,888	8,782	1.725	.069	.048	.316	.013	.009	18.3	Merchandising(25)
101,933	55,562	14,873	.445	.029	.055	.119	.008	.015	26.8	Telecommunications(23)
34,634	16,688	5,549	.622	.048	.048	.207	.016	.016	33.3	Transportation(11)
123,746	42,345	10,551	.282	.019	.034	.070	.005	.009	24.9	Utilities(84)
$ 632,556	$ 323,294	$ 83,895	.646	.016	.051	.168	.004	.013	26.0	Total(336)
$2,003,417	$1,116,261	$407,270	.675	.038	.056	.246	.014	.020	36.4	GRAND TOTAL(712)
$1,816,456	$ 959,249	$362,494	.582	.036	.053	.220	.014	.020	37.8	1980 Grand Total(659)

Table XI
Support of Education as a Percentage of Worldwide Pretax Net Income—Low, Mean, Median and High, 1981

Industry*	Low	Mean	Median	High
MANUFACTURING				
Chemicals(41)	.034	.319	.286	1.070
Electrical Machinery(46)	.015	.315	.221	1.605
Fabricated Metals(18)	.032	.321	.220	.931
Food, Beverage & Tobacco(37)	.026	.313	.244	1.570
Machinery(43)	.018	.466	.247	2.370
Mining(8)	.138	.708	.323	3.067
Paper & Allied Products(22)	.038	5.446	.243	113.136
Petroleum & Gas(33)	.014	.191	.129	1.886
Pharmaceuticals(17)	.017	.400	.274	2.040
Primary Metals(25)	.009	.454	.320	1.296
Printing & Publishing(16)	.002	.318	.298	.668
Rubber(11)	.023	.151	.167	.226
Stone, Clay & Glass(12)	.020	.429	.346	1.265
Textiles & Apparel(20)	.010	.351	.219	1.515
Transportation Equipment(17)	.011	.348	.285	1.880
Total(366)	.002	.655	.228	113.136
NONMANUFACTURING				
Banks(76)	.015	.304	.232	1.645
Business Services(17)	.006	.198	.105	1.237
Engineering & Construction(9)	.100	.434	.449	.874
Finance(11)	.081	.414	.209	1.561
Total—Insurance(85)	.004	.389	.236	2.271
Life(63)	.004	.444	.258	2.271
Property/Liability(22)	.011	.230	.127	1.317
Merchandising(24)	.046	.315	.259	1.225
Telecommunications(24)	.026	.123	.083	.436
Transportation(10)	.022	.178	.164	.353
Utilities(85)	.001	.095	.061	.599
Total(341)	.001	.259	.158	2.271
GRAND TOTAL(707)	.001	.464	.201	113.136

* Excludes net loss companies.
(Numbers in parentheses show the number of companies reporting.)

and one-half times as much overall. The differences are consistent with patterns in previous surveys.

The lower profits in the manufacturing industries resulted in very high percentage relationships of both total contributions and education gifts to PTNI. Especially in industries with companies reporting either lower profits or losses, the percentages were well above the norm. The rise was not as extreme for the nonmanufacturing industries, where only the insurance industries experienced profit declines.

The financial data reported by 712 companies in 1981 and 659 companies in 1980 show a small rise in total PTNI and large increases in total assets and sales because of the larger number of respondents in 1981. Correcting for this disparity by using averages reveals a different picture. Average total pretax net income actually declined, while average total assets and sales rose 3.6 percent and 2.1 percent, respectively. Increases in total contributions of 7.7 percent and of 4.0 percent in gifts to education meant that the percentage relationships had to go up; the denominators of the equations did not increase as much as the numerators.

In addition to fluctuations caused by cyclical profits, even in contributions programs that remained steadily on course, industrywide percentages are also affected by the disproportionate representation of large companies in the sample.

The industrywide percentages, or means, of pretax net income allocated to education are calculated by dividing total grants to education by total PTNI reported. The percentages are affected both by the number of large donors in an industry and also by the relative size of those large donors' gifts as percentages of their income. **Table XI** shows the effects of uneven distribution by examining means and medians by industry, as well as highs and lows for each.

The median is not affected by the size of the extreme values for the group, whereas the mean is. The difference between the median and the mean is very much influenced by the nature of the companies in the upper and lower halves of the sample. When the large companies in an industry give at percentage rates above the median, the industrywide mean will be above the median. This will be especially true if a large company gives at or near the highest rate in the industry. Conversely, when large companies give at below-

the-median rates, the mean will be below the median.

The percentages reported in 1981 are exaggerated because of profit declines in many industries. Thus many of the highs are higher than in previous years, especially in the manufacturing industries whose earnings were down in 1981. Differences between the mean and the median for the nonmanufacturing industries were smaller than for the manufacturers.

These data are further evidence of the large-company bias in this survey and suggest that industrywide means may not always typify the industry.

By Company Size

Contributions patterns vary according to size of PTNI, assets and sales. **Table XII** presents these patterns for the manufacturing companies. The medians for these measures indicate that half the participating companies have pretax net incomes above $93 million, assets of more than $847.8 million and sales greater than $1.17 billion. These median figures fall within the ranges for PTNI, assets and sales reported by the *Fortune* 500 companies and are still further evidence of the predominance of large companies in the manufacturing industries. At the same time, the medians are below those of participants in the 1980 survey sample because more small companies responded in 1981. In addition, five fewer companies reported PTNI of $1 billion or more in 1981 than in 1980, a reflection of the downturn in profits in 1981.

In general, contributions and corporate size, as measured by all three factors, are inversely related: the larger the company, no matter how size is measured, the lower the percentage relationships.

Conversely, education's share of a company's contributions budget generally increases with the company size.

Both of these relationships have been consistent over the years, both in recessions and in years of high profits.

By Marketing Area

Corporate contributions patterns vary according to the geographic location of responding companies involved. This is especially true in areas with high concentrations of a single industry—for example, rubber in Akron, steel in Pittsburgh, automobiles in Detroit. **Table XIII** relates support of education to both PTNI and total contributions for 482 companies in 21 different marketing areas.

The dollar values of profits and contributions and the percentage relationships between them vary widely. The number of reporting companies in each area ranges from a low of 4 in Kansas City to 126 in the New York metropolitan area. Some areas have been hit harder by the recession than others, and the relationships reported for each

Table XII
Contributions by Manufacturing Companies, by Size of Worldwide Pretax Net Income, Assets and Sales, 1981

Pretax Net Income	% of PTNI		Support of Education as % of Total Contributions
	Total	Education	
Net Loss(13)			44.7
Net Income less than $5 million(16)	3.710	1.376	37.1
$ 5 million under $ 10 million(14)	1.399	0.411	29.4
$ 10 million under $ 25 million(48)	1.253	0.385	30.7
$ 25 million under $ 50 million(56)	0.911	0.240	26.3
$ 50 million under $100 million(55)	0.989	0.349	35.2
$100 million under $250 million(80)	0.823	0.298	36.2
$250 million under $500 million(46)	0.861	0.331	38.4
$500 million under $ 1 billion(24)	0.708	0.299	42.2
$ 1 billion and over(24)	0.499	0.220	44.2
All Manufacturing Companies(376)	0.688	0.281	40.8
Assets			
Less than $25 million(1)	1.621	0.576	35.6
$ 25 million under $ 50 million(7)	2.737	0.591	21.6
$ 50 million under $100 million(21)	1.609	0.594	36.9
$100 million under $250 million(66)	0.753	0.221	29.4
$250 million under $500 million(61)	0.875	0.258	29.5
$500 million under $ 1 billion(46)	0.706	0.269	38.1
$ 1 billion under $ 2.5 billion(78)	0.803	0.283	35.2
$ 2.5 billion under $ 5 billion(51)	0.800	0.313	39.2
$ 5 billion under $ 10 billion(27)	0.746	0.322	43.2
$ 10 billion and over(18)	0.574	0.256	44.7
All Manufacturing Companies(376)	0.688	0.281	40.8
Sales			
$ 25 million under $ 50 million(3)	1.040	0.388	37.4
$ 50 million under $100 million(5)	1.875	0.284	15.1
$100 million under $250 million(52)	1.070	0.338	31.6
$250 million under $500 million(61)	0.690	0.214	31.0
$500 million under $ 1 billion(59)	0.735	0.240	32.6
$ 1 billion under $ 2.5 billion(71)	0.806	0.300	37.3
$ 2.5 billion under $ 5 billion(64)	0.863	0.345	39.9
$ 5 billion under $ 10 billion(31)	0.919	0.352	38.3
$ 10 billion and over(30)	0.562	0.249	44.2
All Manufacturing Companies(376)	0.688	0.281	40.8

(Numbers in parentheses show the number of companies reporting.)

Table XIII
Support of Education by Major Marketing Areas, 1981

Marketing Area	Worldwide Pretax Net Income (millions)	Support of Education (000)	Support of Education as % of PTNI		Total Contributions (000)	Support of Education as % of Total Contributions	
			%	Rank		%	Rank
Akron(6)	$ 1,252	$ 1,989	.159	18	$ 5,616	35.4	9
Baltimore(10)	413	1,195	.289	8	4,832	24.7	20
Boston(20)	1,868	13,169	.705	2	22,052	59.7	1
Chicago(53)	11,541	25,047	.217	14	81,833	30.6	14
Cincinnati-Dayton(16)	2,895	9,959	.344	5	21,081	47.2	2
Cleveland(20)	5,927	8,762	.148	19	21,782	40.2	5
Dallas-Ft. Worth(16)	3,051	3,247	.106	20	12,574	25.8	19
Des Moines(8)	311	1,430	.460	4	3,750	38.1	8
Detroit(14)	597	18,666	3.125	1	45,675	40.9	4
Hartford(14)	2,752	8,366	.304	7	25,656	32.6	12
Houston(17)	8,459	13,469	.159	16	30,709	43.9	3
Indianapolis(7)	835	1,329	.159	17	6,223	21.4	21
Kansas City(4)	512	475	.093	21	1,667	28.5	16
Los Angeles(25)	8,628	22,271	.258	9	72,267	30.8	13
Milwaukee(17)	752	2,296	.305	6	8,525	26.9	18
Minneapolis-St. Paul(23)	2,353	11,349	.482	3	40,386	28.1	17
New York, Westchester, Southern CT/NJ(126)	62,216	136,091	.219	13	346,438	39.3	6
Philadelphia(32)	6,438	16,419	.255	10	42,154	38.9	7
Pittsburgh(19)	8,078	19,312	.239	11	58,872	32.8	11
St. Louis(13)	3,924	7,266	.185	15	24,755	29.4	15
San Francisco(22)	8,355	19,908	.238	12	60,563	32.9	10

(Numbers in parentheses show the number of companies reporting.)

should therefore be approached cautiously.

Looking at the rankings for several years avoids the pitfall of overemphasis of a top ranking in a recession year such as 1981. For example, Detroit ranks first in 1981 with 3.125 percent of the profits of the companies in that area being given to education. This abnormally high percentage, however, is the result of extremely low profits related to fairly stable contributions programs.

Seven areas have been in the same third of the rankings for the last five years for percentage of PTNI given to education:

Top Third: Minneapolis

Middle Third: Chicago, New York area, Philadelphia

Lowest Third: Dallas-Fort Worth, Houston, Indianapolis

This much consistency is not seen in the importance of education support in total contributions. Only two areas have stayed regularly within the same third for five years: Dallas-Fort Worth and Indianapolis, in the *Lowest Third*. Several areas have moved around within the same third for four years, but ranked differently in the fifth year.

The only duplication in these two lists is with areas in the lowest third of the rankings. As has been seen above, the correlation between these two ratios of education support is neither great nor particularly consistent.

Appendix

The Problems of Measuring Total Corporate Contributions Nationally

At the present time the only nationwide data on total corporate philanthropy in the United States are those tabulated by the Internal Revenue Service (IRS) from the corporate income tax returns filed each year. In some instances these figures include monies that were not actually paid to donees in that year, and in other cases they do not include all of the contributions dollars received by charitable organizations in the year. Although the magnitude of the differences between the IRS figures and actual contributions is not now known, this survey is collecting data that may make future estimates possible. It is already evident that the differences are significant and that they vary from year to year, depending on business conditions, earnings on the assets of corporate foundations, tax regulations and other elements. Four factors contribute to the differences.

1. The figures reported by corporations on their income tax returns *include* contributions to company-sponsored foundations but *exclude* the gifts and grants made by these foundations. Company foundations were established primarily to insulate the flow of contributions from the ups and downs of the business cycle. Typically, therefore, the amounts given by a company to its foundation in a prosperous year will exceed the contributions made by that foundation, thus enabling the foundation to add to its reserve against leaner times. The IRS figures in this year will overstate the amounts actually given to donees. Conversely, in depressed times when company payments either slow or stop completely, the foundation will draw upon its reserves to maintain the level of its contributions program. The IRS figures for these years will understate actual gifts and grants.

2. The tax code allows for carryovers of contributions from past years and into the future, thus distorting reported amounts of gifts and grants. The tax code provides that certain exclusions and deductions, not ordinarily recognized by generally accepted accounting principles, may be used by corporations in calculating their taxable income. These provisions can result in taxable income that is significantly lower than pretax net income. The code also provides that up to 5 percent of taxable income can be deducted for charitable contributions. For taxable years beginning after December 31, 1981, the allowance rose to 10 percent. Anytime contributions exceed this allowed percent, the excess contributions have to be carried over into the following year (Section 170(d)(2)). An unknown portion of the amount reported by corporations to the IRS *includes* excesses from previous years and *excludes* amounts paid during the current year that are being carried into future years.

3. Many companies use the right to "prepay" contributions, as provided in Section 170(a)(2) of the tax code. Under certain circumstances contributions made in the first two and a half months of a year may be taken as a deduction from the prior year's income. An undetermined amount of the contributions reported to the IRS include funds that were actually disbursed in the following year, under this provision.

4. Special provisions allow mutual insurance companies, mutual savings banks, savings and loan associations and similar corporations to compute income taxes without reference to charitable contributions. These companies do not have to report their contributions when filing their tax returns. The size of these omissions is not known, but their effect is to cause the IRS figures to understate contributions.

It is clear therefore that the total amount actually received by charitable organizations in any given year will differ from the amount tabulated by the IRS from corporate income tax returns for that year. Although the size of the difference is not known, 23 percent of the respondents to the 1981 survey indicated that the amounts reported on the company tax return were not the same as those reported in the survey in 1981. The accumulation of data from the companies participating in this survey over the years will provide a basis for adjusting the IRS data in the future so that more accurate estimates can be made of the actual annual receipt of philanthropic dollars.

Definitions: Contributions

Because of the problems with IRS contributions data outlined above, this report contains figures with different bases. The national contributions totals in Table I are from the IRS; all other figures on total contributions and support of education are based on figures reported by the respondents and *include* gifts and grants made by their company-sponsored foundations, as well as contributions made directly by the companies themselves, but *exclude* payments by the companies into their foundations. Most of these figures are for payments actually made during the year and exclude any carryovers or prepayments reported for income tax purposes.

Definitions: Financial Data

The information regarding sales, assets and pretax net income is what the survey respondents reported to their stockholders and to the financial community in their consolidated financial statements. It includes dollars derived from overseas sources as well as from domestic operations. The data for companies without international operations are included in the "worldwide" figures. A number of companies, however, expressed an interest in information related only to operations in the United States since most contributions are limited to institutions in this country. A few comparisons are made using this domestic data, although worldwide figures are used in most of the analyses. The Conference Board's *Annual Survey of Corporate Contributions* includes additional tables with detailed comparisons of "U.S. Only" data.

Survey Biases

The survey is not representative of the entire corporate community of some 3.0 million companies. The respondents are heavily weighted by the largest companies in terms of sales, assets and [illegible] same bias is [illegible] industrial and [illegible] companies. There are also disproportionately large numbers of respondents in several manufacturing industries and in banking, life insurance and the utilities, while companies in mining, rubber, finance, engineering and construction, and transportation are significantly underrepresented.

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